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SUBJECT: TRANSFORMING ECUADOR: ACTION PLAN FOR DEMOCRACY
AND STABILITY

REF: QUITO 2235

SENSITIVE BUT UNCLASSIFIED.

Summary

1. (SBU) Ecuador is one of the most unstable, undemocratic, and corrupt countries in Latin America. Its political and economic systems, based on competition by entrenched elites for lucrative state-provided economic privileges, threaten U.S. interests directly where they impinge on U.S. anti-narcotics programs, cheat U.S. investors, and drive Ecuadorians to emigrate to the U.S. Perhaps more importantly, Ecuador seems to totter constantly on the verge of becoming a failed state -- and we cannot afford a failed state on the southern border of Colombia.

2. (SBU) Over the past several months the Embassy has reviewed in depth the fundamental problems of Ecuador in order to develop a strategy for advancing U.S. interests on this difficult terrain. We believe that a new approach, targeting our long-term interests in democracy, economic growth, and the resultant stability, and based on a clear understanding of Ecuador's fundamental problems is required. The plan that we outline below focuses on building momentum for change by developing leadership, changing attitudes, improving education, improving incentives and attacking corruption. It also directly focuses on the judiciary and military, two sectors of particular concern for Ecuadorian democracy and stability.
End Summary.

Overview

3. (SBU) In the aftermath of the fall of the Gutierrez government on April 20, 2005, the Embassy established several working groups to review U.S. policy toward and assistance to Ecuador, identifying challenges and opportunities in the short, medium and long terms. After several months of discussions involving all agencies at post, we have identified a series of impediments to desirable political and economic change in Ecuador and outlined U.S. Mission actions to address them. Initial short-term ideas were reported reftel in response to Department's request. This action plan does not attempt to cover the full spectrum of issues included in the MPP. Rather, it focuses on the fundamental problems that have made it impossible for Ecuador to break out of its self-destructive downward spiral of political and economic instability.

4. (SBU) The Mission identified the following core issues:

-- Leadership: A lack of emerging leaders and networks prepared to challenge the entrenched elites who currently hold power.

-- Attitudes: Attitudinal resistance to democratic and economic change at both elite and popular levels, based in part on their failure to understand democracy and market economics.

-- Education: Weak educational institutions at both basic and upper levels, and little push for change from either elite or popular sectors.

-- Incentives: Inadequate incentives to challenge existing power and push for political, social or economic change.

-- Corruption: Endemic corruption throughout the public and private sectors at all levels.

-- Military: A military that remains too willing to involve itself in politics and business.

-- Judiciary: Judicial institutions that are not independent, transparent or efficient.

15. (SBU) Regional and class divisions stymie efforts for reform. Inequalities permeate society, business, and the political life of the country. Those at the top of the pyramid do not necessarily accept, as possible or even desirable, the premise that "a rising tide lifts all boats." Meanwhile, regional rivalries -- especially between Quito in the highlands and Guayaquil on the coast -- are so deeply divisive that they seriously impede any initiatives of national scope and vision.

16. (SBU) It is also impossible to list Ecuador's fundamental problems without reference to the challenges it faces as a result of its location between major producers of narcotics and terrorism. Huge quantities of illegal narcotics pass through Ecuador from its neighbors, especially Colombia, and the return flow of dollars through Ecuador is also substantial. Colombian terrorists use Ecuadorian territory frequently for rest and recuperation, and as a supply route for weapons and other materiel. Although narcotraffickers have not yet targeted Ecuador for production of drugs, and terrorists seem content to use Ecuador as a staging area and not a target, either of those situations could change without notice. Further, it is clear that both Fidel Castro and Hugo Chavez view Ecuador as potentially fertile terrain for revolutionary ferment, and are making investments to that end. While thus far they have not made significant progress, that too could change.

17. (SBU) Analysis of these problems lays bare the reasons why Ecuador has had seven presidents in the past nine years. The Ecuadorian political system sets the president up for a fall. Elected popularly, the president is opposed by a congress elected from party lists controlled, in the main, by entrenched elites who have a stake in maintaining the status quo; a corrupt system that enriches them. Ecuadorians have elected several presidents who ran against the oligarchy, most recently Lucio Gutierrez. However, the entrenched elites have worked assiduously to remove them. President Alfredo Palacio's continued insistence on political reform is damaging prospects for completion of this term, and the president who next assumes office will be similarly challenged to serve out his term.

18. (SBU) Clearly, profound changes in the political, economic, and social systems of Ecuador is necessary for the country to become a stable democracy with a healthy economy. The changes must come from Ecuadorians themselves, and it may take decades and several generations to accomplish the goal. The actions needed to trigger and sustain that process must be taken in the short and medium term, even if many of the results may be measurable only in the long term. With this in mind, we propose the following initial action plan to address some of these root causes of instability. Continued engagement will yield new ideas and initiatives that can be added to this plan, which should therefore be considered a living document.

Developing Leadership and Networks for Change

19. (SBU) Objective: Bring together Ecuadorians committed to change, motivate and activate them. Develop leaders for the future.

110. (SBU) Context: Cutting across all elements of this action plan is the need for a network of Ecuadorians committed to change, who agree on the problems to be addressed and a general approach for solutions. We have already begun building this network, discussing fundamental problems with close embassy contacts and likely allies. We have found a tremendous validation of our conclusions and an enthusiasm to work together. Some of our contacts have taken matters into their own hands since our first discussion. Three of them have joined together and are broadcasting a new radio show dedicated to changing attitudes. Another group has proposed the establishment of a think-tank to commission studies and use them to change the public discourse on numerous issues. Still, years of successive failure to build a consensus for reform has bred a great deal of pessimism and fatalism among Ecuadorians. Our steady encouragement, plus our power of convocation, can make a difference.

111. (SBU) Actions:

-- Develop new networks and strengthen existing networks of individuals and organizations that share our goals. Establish or assist in the establishment of new alumni associations including alumni of U.S. exchange programs and of U.S. universities to promote sharing of experiences and build support for reforms.
-- Assist private groups looking to establish a think-tank geared to increasing scholarship and policy promotion on an agenda focused on democracy, stability, and economic liberalization.

-- Establish one or more awards programs administered by Ecuadorian allies to recognize leadership in public and private sectors.

Changing Attitudes

112. (SBU) Objective: Help change Ecuadorian attitudes, improving perceptions of democracy, of economic liberalization, of responsible foreign policy and of the U.S.

113. (SBU) Context: Ecuador is plagued by a series of self-defeating attitudes that present a serious barrier to the consolidation of democracy, to responsible economic policy and political stability. The first is a paternalism that dates back to the pre-Colombian period, was sharply reinforced by the colonial experience, and has continued in the modern era with statist policies at all levels. There is a general consensus among Ecuadorians that the patron, now the state, must provide. Ecuadorians also embrace a chauvinistic nationalism in which any idea or act can be shown to be traitorous if it cedes sovereignty in any sense. These factors make the terrain ripe for populist appeals, leftist rhetoric and classic anti-American dogma.

114. (SBU) The Ecuadorian public is highly skeptical of USG motives. Campaigns focused on bringing outside experts to Ecuador on various policy issues, economic, political and foreign, to help change Ecuadorian attitudes, can be used both to improve Ecuadorian perceptions of the U.S. and to change attitudes toward needed substantive reforms. We need to show that the USG is interested in Ecuador's social, economic, and political development and we must be more visible in taking public credit for the many things we do for the people of Ecuador.

115. (SBU) Actions:

-- Establish a public outreach working group to expand outreach activities to more effectively explain USG interests/goals to Ecuadorians. Identify sectors, regions, institutions relevant to US policy interests that we are not engaging consistently. Monitor the advance and success of the plan.

-- Bring in U.S. and foreign experts and communicators to expand debate on priority issues including democracy, education reform, pension reform, health care systems, petroleum sector reforms, electric sector reforms, telecommunications. Identify other countries within Latin America that can serve as examples for different reforms.

-- Support studies geared to generating understanding of the price Ecuador pays for its lack of reform. For example, a study comparing the telecommunications sector of a country that has privatized/liberalized the sector, with the sector in Ecuador. The purpose would be the generation of unassailable sound bites for Ecuadorians to use in promoting reform.

-- Repackage how we present ourselves to the Ecuadorian public. Find new outlets to communicate what we do for individual Ecuadorians, be it through AID programs, U.S. military humanitarian assistance, Embassy family volunteer efforts, or US company community outreach.

Education Reform

116. (SBU) Objective: To raise the quality of education, create a base of Ecuadorian human capital that is more economically competitive and better prepared to participate in a democracy as responsible, engaged citizens.

117. (SBU) Context: Ecuadorian access to education is on par with similarly sized countries of comparable development, but Ecuador lags badly with respect to the quality of the education. Leftist dogma pervades curricula from basic education up through the universities. Cubans and Venezuelans are increasing their presence in education here; exceptional children from the lower classes are more likely to find higher education abroad in Cuba than in the U.S. There is little incentive for elites to promote educational improvement, since their children attend private schools and private or foreign universities.

118. (SBU) Actions:

-- Establish a mission education working group. Assess USG ability to expand its work directly in basic education or to support the efforts of international foundations or the multilateral banks. Identify success stories from other

Latin American countries that could serve as models. Review programs of both official and private binational educational exchange and possibilities for expansion.

-- Bring in experts from other Latin American countries to promote debate of education reform.

-- Explore ways that we might expand number of private high school youth exchange programs. Encourage binational university-to-university links.

-- Expand and more sharply target programs for promotion of U.S. higher education among Ecuadorian students, e.g. through more scholarships.

-- Explore opportunities to expand English-language programs as a vehicle to improve youth understanding of U.S. democracy, market economics and to improve teacher quality.

----- Incentives: Rewarding Reform -----

19. (SBU) Objective: Develop examples of Ecuadorian localities where comprehensive reform and development programs are working.

20. (SBU) Context: Repeated failure at the central government level to improve people's lives has left Ecuadorians pessimistic about change and suspicious of reforms that have been promised but never delivered.

21. (SBU) There remains, however, a positive attitude about the ability of local government to deliver. By highlighting the many positive examples of successful reform at the local level, we can help expand the safe political space for those who pursue change, while constraining the power of those who actively sabotage those efforts.

22. (SBU) Actions:

-- Develop a project, mirroring the concept of the Millennium Challenge Account, in which mid- to-small-sized localities would compete for a program of development on the basis of their reform-oriented policies.

----- Attacking Corruption -----

23. (SBU) Objective: Reduce corruption.

24. (SBU) Context: The Ecuadorian political and economic systems are based on the distribution of wealth, generally via corrupt channels, rather than the creation of wealth. Ecuador's deficit of sound, credible and well-functioning institutions cannot be overcome unless corruption becomes the exception rather than the norm. Ecuador fell another five places to number 117 in Transparency International's 2005 Corruption Perceptions Index.

25. (SBU) Actions:

-- Establish Embassy Anti-Corruption Working Group.
-- Collect information for submission to Department in support of 212F visa ineligibility for corrupt Ecuadorians.
-- Work with State Department and Department of Justice to energize investigations of corrupt Ecuadorians in the U.S.
-- Develop proposals to promote reforms to decrease discretion and increase the public's wariness and intolerance toward corruption.
-- Support effective implementation of the new money laundering legislation that provides, for the first time, tools to attack this problem.
-- Support development, passage and implementation of a competition law providing the GOE with anti-trust powers.
-- Develop citizen oversight proposals for local government finances.

----- Promoting a Professional Military -----

26. (SBU) Objective: An Ecuadorian military with a better understanding of the appropriate role of the military in democracy.

27. (SBU) Context: Although none of the changes in

government over the past 25 years can be classified as a military coup, the Ecuadorian military has played an important role in bringing down all of the past decade's three democratically elected presidents. The military must understand that its role does not allow the "withdrawal of support" from a sitting elected president, allowing his fall. The military must also be removed from competition with private enterprise, refocusing it on its legitimate role and ending its involvement in numerous commercial enterprises which either compete with or crowd out the development of the private sector.

128. (SBU) Actions:

-- Promote military respect for civilian government to prevent an irregular change of government.

-- Assist the Ministry of Defense in getting the "Ley Organica de las Fuerzas Armadas," approved so that military members will not serve in other government institutions (such as customs).

-- Assist the military to continue providing an operational presence on the northern frontier, its appropriate priority.

-- Support efforts to have the military and national police cooperate and collaborate on narcotics trafficking, arms smuggling, illegal migration, and anti-trafficking.

-- Assist the Ministry of Defense in getting the "Ley Organica de Administracion y Control de los Espacios Acuaticos," approved so the Navy may better control the illicit movement of drugs, arms, and persons.

-- Assist in removing the military from commercial enterprises.

Promoting an Effective and Independent Judiciary

129. (SBU) Objective: Independent, transparent, objective, and competent Supreme and Constitutional Courts that preside over a modern judicial system respected by the population for its efficient and just operation.

130. (SBU) Context: Ecuador's judicial system is infamous for its corruption and its subservience to political interests. The key Constitutional and Supreme Courts were closed and justices removed as a result of political party attempts to re-stack the courts in late 2004 and early 2005. The position of Attorney General (Fiscal General) has been filled by an interim appointee for three years as has the Controller General position, as the political parties attempt to place their own people in these powerful positions. An internationally monitored effort to choose new justices for the Supreme Courts is now underway, but is complicated by the fact that the process being used is technically unconstitutional. Ecuador is halfway through a difficult transition toward an oral accusatory system of justice, supported in part by USAID and NAS.

131. (SBU) Actions:

-- Support local oversight of the selection of Supreme Court magistrates and Constitutional Tribunal judges, appointment of attorney general and comptroller general.

-- Provide training and assistance to new justices in taking up their positions. Perhaps fund travel to the U.S. both for training purposes and to help build their credibility.

-- Provide training and assistance to lower levels of the judicial system that appear clean.

-- Increase outreach programs to law schools, to help build a more professional and ethical new class of lawyers who can function in the recently implemented oral advocacy system.

-- Develop programs for citizen oversight of judicial activities.

-- Target corrupt judges and lawyers for 212f visa ineligibility.

-- Promote more equal access to justice through support for local services for vulnerable groups. Encourage and support oversight mechanisms for local level judicial performance and a National Public Defense System.

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